

TENNESSEE REGULATORY AUTHORITY

RECEIVED

Deborah Taylor Tate, Chairman
Pat Miller, Director
Sara Kyle, Director
Ron Jones, Director



2004 MAR 19 AM 9:32

460 James Robertson Parkway
Nashville, Tennessee 37243-0505
T.R.A. DOCKET ROOM

March 18, 2004

Mr. Michael D. Horton
Counce Natural Gas Corporation
P. O. Box 285
Burnsville, MS 38833

04-00037

RE: APPLICATION OF COUNCE NATURAL GAS CORPORATION TO INCREASE ITS RATES.

Dear Mr. Horton:

In order to assist our efforts in conducting an investigation into the petition filed on the behalf of Counce Natural Gas Corporation, further information is needed. Please respond to the items listed below. Your response must be received by the Authority no later than April 1, 2004.

- A. Please respond fully to each item, even if the data has been partially supplied in prior filings or dockets. Information supplied in one item can be referenced if asked for again in another item.
- B. Responses to the requests listed here are to be supplied to the TRA at the following address:

Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505
- C. Each copy of the responses should be placed in loose-leaf binders with each item tabbed. Each response should begin by restating the item request. If several sheets are required to answer an item, each sheet should be appropriately labeled and indexed, for example, Item 1(a), Sheet 1 of 4.
- D. For each item responded to, indicate the witness whose testimony would encompass the information requested, where applicable.

DATA QUESTIONS

76. The Company refers to Exhibit Nos. 2 & 3 in its petition. Is there an Exhibit No. 1?
77. Refer to Exhibit No. 2. The company indicates that it will change the amount it charges for customer deposits. Explain how long the Company intends to hold the deposit and what rate of interest it will pay. Will the proposed change apply to the Company's existing customers? Also, is the interest rate that the Company will apply to deposits approved by this Authority? If so, in which Docket was this approved?
78. Provide a list of all customers that left the system and the amount of the deposit that was refunded to them for the twelve month period ending September 30, 2003.
79. Provide the amount of late fees that were charged during the Company's for the twelve month period ending September 30, 2003.
80. Refer to Exhibit No. 2. Provide a definition of what gas wastage as it is described in it proposed tariff sheet.
81. Refer to Exhibit No. 2. Provide an explanation as why the Company is no longer providing the first 200 feet (service lines) and 100 feet (mains) for free to new customers.
82. Refer to Exhibit No. 2. Provide an explanation as to why the Company in its proposed tariff wishes to charge the customer for any damaged service lines owned by the Company that is on the customer's property. Are there any amounts for plant that lies on the customer's property included in the Company's projected rate base? If so, provide a breakdown by account for the twelve month period ending September 30, 2003 through May 31, 2005.
83. Refer to Exhibit No. 2. The Company has changed the customers' billing due date from the 5th of the month to the 1st of the month. Provide an explanation for this change.
84. Provide a list of all stockholders of Counce Natural Gas Corporation and their percentage of ownership.
85. Refer to Company's accountant's report dated November 10, 2003. The Company's accountant in its compilation report stated that the management of Counce Natural Gas Corporation elected to omit substantially all disclosures and statement of cash flow for the historical financial statement that were presented in the report. Provide all disclosures and statement(s) referenced in this report.
86. Provide all reports on all work performed by the Company's consultants and accountants for the past two years.

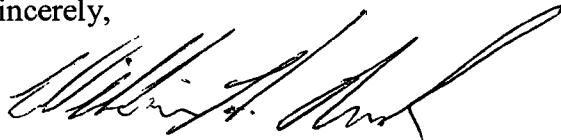
87. Provide a reconciliation of revenues using the Company's current tariff rates, customers and sales volumes for the twelve month test period ending September 30, 2003.
88. Provide supporting documentation for accounting, legal, engineering, and insurance for the twelve month test period ending September 30, 2003.
89. The Company recorded \$ 1,753 in telephone expenses during the Company's twelve month test period ending September 30, 2003. Provide an explanation and supporting documentation for this expense.
90. Provide supporting documentation and a breakdown by month of Taxes Other than Income for the test period ending September 30, 2003.
91. Refer to accountant's report dated November 10, 2003. Provide an explanation as to why the Company has projected \$2,000 in amortization expense for the period ended May 31, 2005. Also, why did the interest expense increase from \$1,388 (at 9/30/03) to \$12,818 (at 5/31/05)?
92. Refer to accountant's report dated November 10, 2003. Provide an explanation as to why the Company recorded \$300,144 in intercompany receivables at September 30, 2003.
93. Refer to accountant's report dated November 10, 2003. Provide the supporting documentation for the net plant amount \$40,256 recorded on the Company's balance sheet at September 30, 2003.
94. Refer to accountant's report dated November 10, 2003. Provide an explanation for \$3,781 recorded in Meter Deposits on the Company's balance sheet at September 30, 2003.
95. Refer to accountant's report dated November 10, 2003. Provide the supporting documentation for the "Note Payable – Tumlinson & O' Leary" entries made the Company's balance sheet at September 30, 2003.
96. Refer to accountant's report dated November 10, 2003. Provide an explanation for the entry made on the Company's balance sheet "Due to Burnsville" at September 30, 2003.
97. Provide the calculation used by the Company's to forecast the CPI rate of 2.5 (%) percent.
98. Refer to Supplemental Schedule A. Provide a current breakdown of the present and the projected \$6,000 in costs associated with the Company's rate case. Also, provide the calculation and supporting documentation to support the amortization period for these costs.
99. Refer to Supplemental Schedule A. Provide the supporting documentation for the percentage (21.69%) used to allocate costs amongst Counce Natural Gas Corporation and

its related companies' capital costs. Also, provide the calculations for all of the remaining companies referenced in this schedule.

100. In the Company's Petition, on Supplemental Schedule G it is indicated that the Mike & Candy Horton devote sixty percent of their time to Counce Natural Gas Corporation. Are either of them employed outside of Counce Natural Gas Corporation? Where are the Hortons employed for the remaining forty percent (40%) of their allocated time?
101. Please refer to Attachment A, titled **"Order approving report and recommendation of hearing officer and settlement agreement"**. Also refer to Attachment B, titled **"Original Cost Analysis of Plant in Service"**. Finally refer to Attachment C, titled **"FERC Uniform System of Accounts – Gas Plant Instructions"**. It appears from Company Cost of Capital Schedule – Supplemental Schedule A, that Counce is asking for a return on the "Purchase Price Allocated to Counce" in the amount of \$271,125. It also appears from the Company's last rate case that Counce will have over-recovered the original cost of its net plant in service, resulting in a negative net plant available for return of -\$25,879 as shown on Attachment B. The instructions for recording gas plant in the FERC Uniform System of Accounts shown on Attachment C appears to indicate that it is inappropriate to record supplemental purchases or sales of the utility assets on the books of the utility at any amount other than its original cost less any Commission approved acquisition adjustments. Given the status of the requirements contained in Attachment C, please explain the Company's rationale for seeking a return on its purchase price of Tumlinson Engineering in the amount of \$271,125.

If you have any question regarding this request, you may contact me at (615) 741-2904, ext. # 174.

Sincerely,



William H. Novak
Chief
Energy and Water Division

eep04-27councedatarequest

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

March 2, 1999

**IN RE: COUNCE NATURAL GAS COMPANY)
 PETITION FOR A RATE INCREASE) DOCKET NO. : 98-00308**

**ORDER APPROVING REPORT AND RECOMMENDATION OF HEARING OFFICER
AND SETTLEMENT AGREEMENT**

This matter came before the Tennessee Regulatory Authority (the "Authority") on July 21, 1998, at a regularly scheduled Authority Conference, for consideration of the Report and Recommendation of Hearing Officer and consideration of that certain Settlement Agreement negotiated and entered into between Counce Natural Gas Company ("Counce") and the Authority's Gas, Water & Electric Division (the "Authority's Staff"), dated as of June 26, 1998.¹

Counce petitioned for a rate increase on May 1, 1998. During its regularly scheduled Authority Conference held on May 19, 1998, the Authority appointed a hearing officer to set a procedural schedule. The Hearing Officer convened a pre-hearing conference on June 15, 1998 and issued his Report and Recommendation on June 22, 1998. The Report and Recommendation, attached hereto as Exhibit A, indicated that a hearing did not appear to be necessary, as a settlement proposal had been submitted by the Authority's Staff and a final Settlement Agreement was expected to be filed by the parties. Shortly after the Hearing Officer's Report and Recommendation was filed, the parties submitted the Settlement Agreement attached hereto as Exhibit B. Under the terms of the Settlement Agreement, the Authority's Staff did not oppose Counce's request for a rate increase in the amount of Twenty Thousand Nine Hundred Thirteen and No/100 Dollars (\$20,913.00) annually, as the Authority's Staff's independent analysis of Counce's Application for a Rate Increase supported an Authority finding that Counce's requested rate increase would result in just and reasonable rates for Counce's ratepayers. Counce's rate

¹ The Agreement was signed on behalf of Counce by Henry Walker, Esq., as Counce's authorized legal representative



increase should produce a base rate of \$2.1304 per Mcf, and will be equally applied to all customer classes

After considering relevant portions of the record, the Authority unanimously approved the Hearing Officer's Report and Recommendation and the parties' Settlement Agreement.

IT IS THEREFORE ORDERED THAT:

1. The Hearing Officer's Report and Recommendation is approved;
2. The Settlement Agreement is approved,
3. Counce shall be permitted to increase its rates in the amount of Twenty Thousand Nine Hundred Thirteen and No/100 Dollars (\$20,913.00) annually, subject to further order of the Authority;
4. Counce's rate increase shall produce a base rate of \$2.1304 per Mcf, and shall be equally applied to all customer classes, and
5. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order.


CHAIRMAN


DIRECTOR


DIRECTOR

ATTEST 
EXECUTIVE SECRETARY

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

JUNE 22, 1998

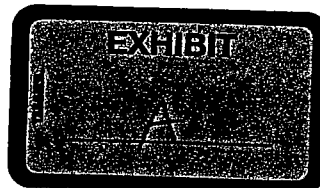
**IN RE: COUNCE NATURAL GAS APPLICATION)
 FOR A RATE INCREASE) DOCKET NO 98-00308**

**REPORT OF THE HEARING OFFICER FROM THE PRE-HEARING CONFERENCE
HELD JUNE 15, 1998**

This matter is before the Tennessee Regulatory Authority ("Authority") pursuant to an Application for a rate increase (the "Application"), filed on May 21, 1998, by Counce Natural Gas Company ("Counce"). A copy of the Application filed by Counce is attached hereto as Exhibit A.

A Pre-Hearing Conference was publicly noticed on June 5, 1998, and rescheduled at the request of counsel for Counce in a Notice dated June 9, 1998, for June 15, 1998 at 10 00 A M. At the Pre-Hearing Conference no parties presented themselves other than the Applicant and the Staff of the TRA. Counsel representing Counce Gas Company at the Pre-Hearing Conference was **Henry Walker, Esq.**, P O Box 198062, Nashville, TN 37219. Counsel for the TRA Staff was **Carla Fox, Esq.**, 460 James Robertson Pkwy, Nashville, TN 37243.

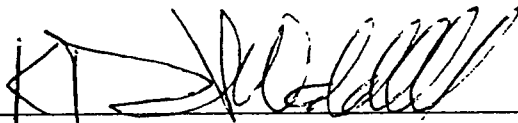
At the time of the Pre-Hearing Conference no other party, other than the Staff had sought intervention into this docket, and no parties presented themselves as intervenors at the Pre-Hearing Conference. At the Pre-Hearing Conference Counsel for the Staff presented a settlement proposal with Counce. This settlement proposal is attached as Exhibit B. Counsel for Counce agreed that this proposal should result in an agreement for signing within several days and accepted the terms stated by Staff on behalf of Counce. Counsel for Counce and Staff Counsel



both indicated that, due to the settlement, there were no issues remaining specific to the Counce rate case

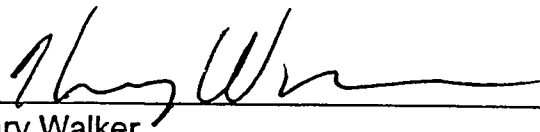
Considering the presentation of the settlement proposal and the agreement of the parties, the Hearing Officer inquired of the Counsel for the Applicant and then of the Counsel for the Staff if either of them knew of any reason to set a procedural schedule for the filing of discovery or testimony in this matter. The Company knew of none. There being no intervenors in this case other than the Staff of the TRA, the Hearing Officer recommends that the Settlement Proposal and the Agreement resulting therefrom, specific to the rate case, be brought before the Directors for consideration

ATTEST


Executive Secretary


HEARING OFFICER

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Henry Walker", is written over a horizontal line.

Henry Walker
BOULT, CUMMINGS, CONNERS & BERRY, PLC
414 Union Street, Suite 1600
P.O. Box 198062
Nashville, TN 37219
(615) 252-2363

TESTIMONY OF STEPHEN J. SWETZ

Q. Please state your name for the record, please.

A. My name is Stephen J. Swetz, C.P.A.

Q. By whom are you employed and what is your position?

A. I am employed by Watkins, Ward & Stafford, P.L.L.C. as a Certified Public Accountant and as a staff member in the firm.

Q. How long have you been acquainted with the finances of Counce Natural Gas Company?

A. I have been involved with the finances of the Company since late 1996

Q. What is your educational background and what degrees do you hold?

A. I have a Bachelors degree in Accounting from Mississippi State University and a Masters degree in Accounting from Mississippi State University. I have been a Certified Public Accountant in Mississippi since January 1996.

Q. Would you briefly describe your role as independent C.P.A. for Counce Natural Gas Company?

A. I advise the Company on computer, financial, and tax matters.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present information in support of the petition of Counce Natural Gas Company for a gas rate increase.

Q. Why is the Company filing this petition for a rate increase?

A. The Company's overall return on investment for the year ending September 30, 1997 was -9.77%. In order to earn a just and reasonable return, the Company must increase its rate per Mcf to \$8.16 as shown on the exhibit to my testimony (Schedule A).

Q. Please describe Schedule A.

A. I compiled the pro forma statement based on the audit conducted by the Tennessee Regulatory Authority and on the revenue increase needed to sustain a reasonable rate of return on net investment.

Q. In your professional opinion, do you agree that this rate increase is necessary in order for the Company to continue service to its customers without interruption?

A. Yes. In my professional opinion, this rate increase is necessary and reasonable in order for the Company to continue to provide service to its customers.

Q. Will the increase shown in the pro forma statement produce a reasonable return on rate base?

A. Yes. According to "Schedule A", the proposed rate increase will produce a 14.94% return on rate base. I do not claim any expertise as a rate-of-return expert, but, over the last year, I have had many discussions with members of the TRA staff about what is expected of natural gas carriers in Tennessee and it is my understanding, based on those discussions, that a 15% return is reasonable and within the range of returns earned by utilities of comparable risk.

Q. Does this conclude your testimony?

A. Yes, it does.

SCHEDULE A

COUNCE NATURAL GAS COMPANY
Statement of Revenue and Expenses - Cash Basis
For the Year Ended September 30, 1997

Revenues:	
Residential	\$ 41,749
Commercial	✓ 34,035
Industrial	13,704
Refund	15,056
Total Revenues	<u>104,544</u>
Gas Purchases	62,724
Gross Profit	<u>51,820</u>
Operating Expenses:	
Advertising	5
Auto Expense	3,487
Office Rent	1,806
Consultant	2,710
Dues & Subscriptions	110
Salaries:	
EE Tumlinson	12,500
Lorraine Horton	8,538
Insurance	3,468
Legal & Accounting	501
Maintenance	4,620
Miscellaneous Expense	70
Office Expense	3,747
Taxes:	
Property Taxes	2,392
Payroll Taxes	2,177
Other Taxes	697
Income Taxes	0
Telephone	1,975
Utilities	1,718
Depreciation & Amortization	6,900
Net Operating Income (Loss)	<u>(5,501)</u>
Interest Expense	778
Net Income (Loss)	<u><u>\$ (6,279)</u></u>

See accountants' report.

COUNCE NATURAL GAS COMPANY
Schedule A - Request for Gas Rate Increase
For the Year Ended September 30, 1987

	Historical Year Ended 9/30/87	Adjustments		Pro Forma Year Ended 9/30/87
		Increase	Decrease	
Revenues:				
Residential	41,749	11,146		52,895
Commercial	34,035	8,768		43,803
Industrial	13,704	0		13,704
Refund	15,056			15,056
Total Revenues	104,544	20,913	0	125,457
Gas Purchases	52,724			52,724
Gross Profit	51,820	20,913	0	72,733
Operating Expenses:				
Advertising	5			5
Auto Expense	3,487			3,487
Office Rent	1,806			1,806
Consultant	2,710			2,710
Dues & Subscriptions	110			110
Salaries:				
EE Tumlinson	12,500			12,500
Lorraine Horton	8,538			8,538
Insurance	3,468			3,468
Legal & Accounting	501			501
Maintenance	4,520			4,520
Miscellaneous Expense	70			70
Office Expense	3,747			3,747
Taxes:				
Property Taxes	2,382			2,382
Payroll Taxes	2,177			2,177
Other Taxes	697			697
Income Taxes	0	860		860
Telephone	1,975			1,975
Utilities	1,718			1,718
Depreciation & Amortization	6,900	6,000		11,900
Net Operating Income (Loss)	(5,501)	15,053	0	9,552

RATE BASE

Additions:			
Utility Plant in Service	304,665		304,665
Minimum Cash Balance	1,000		1,000
Working Capital Allowance	458		458
Professional Fees for Rate Case		10,000	10,000
Total Additions	306,123	10,000	316,123
Deductions:			
Accumulated Depreciation	(157,389)		(157,389)
Customer Deposits	(1,821)		(1,821)
Utility Plant Acquisition Adjustments	(87,845)		(87,845)
Accumulated Amortization		(5,000)	(5,000)
Total Deductions	(247,165)	0	(252,165)
Rate Base	68,958		63,958
Return on Nat Investment	-9.33%		14.94%

See accountants' report and summary of significant assumptions.

COUNCE NATURAL GAS COMPANY
Schedule B - Determination of Adjustment to Operating Revenue
For the Year Ended September 30, 1997

Description	Number of Customers	Actual Total Usage In MCF	Proposed Rate Change		Proposed Revenue Increase
			Customer Charge	Commodity Rate	
Residential	119	6,674	\$8.16		11,146
Commercial	30	5,849	\$8.18		9,768
Industrial	1	1,994			
Totals	150	14,517			20,913

See accountants' report and summary of significant assumptions.

COUNCE NATURAL GAS COMPANY
Significant Assumptions Used in Developing the Pro Forma Adjustments
For the Year Ended September 30, 1997

1. Purpose of the Pro Forma Financial Information

The purpose of the pro forma financial information is to provide support to the Tennessee Public Service Commission for a gas rate increase.

2. Source of the Historical Financial Information

The source of the historical financial information is the compliance audit performed by the Gas, Water, & Electric Division of the Tennessee Regulatory Authority.

3. Description of the event that is reflected in the Pro Forma Financial Information

The gas rate increase for residential and commercial customers is the event that is reflected in the Pro Forma Financial Information.

4. Description of the Pro Forma Adjustments

The revenue increase is based on a 14.94% return, which according to the Gas, Water, and Electric Division of the Tennessee Regulatory Authority is a reasonable return of net investment. Furthermore, the depreciation and amortization adjustment is a result of amortizing the professional fees of the rate case over two years. Management believes that the professional fees will be \$10,000. Lastly, the income tax adjustment is determined by calculating the federal income taxes on the pro forma taxable income.

ACCOUNTANTS' REPORT

To the Management
Counce Natural Gas Company
West Point, Mississippi

We have compiled the accompanying statement of revenues and expenses – cash basis of Counce Natural Gas Company (a corporation) for the year ended September 30, 1997, and the accompanying pro forma supplementary information – cash basis contained in Schedules A and B, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the gas rate increase occurred at an earlier date. However, the pro forma financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned gas rate increase actually occurred earlier.

The accompanying presentation and this report were prepared to request a gas rate increase and should not be used for any other purpose.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management and does not include evaluation of the support for the assumptions underlying the pro forma transactions. We have not examined or reviewed the accompanying statement of revenues and expenses – cash basis and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in the financial statement prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statement, they might influence the user's conclusions about the Company's revenues and expenses. Accordingly, this financial statement is not designed for those who are not informed about such matters.

West Point, Mississippi
May 1, 1998

Hathorn, Hunsand & Hofford, PLLC

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT TN

NASHVILLE, TENNESSEE

REGULATORY AUTH.

'98 JUN 12 PM 4 24

OFFICE OF THE
EXECUTIVE SECRETARY

IN RE:

COUNCE NATURAL GAS COMPANY'S
RATE CASE

)
)
) DOCKET NO.: 98-00308
)

SETTLEMENT PROPOSAL OF THE TRA'S GAS, WATER & ELECTRIC DIVISION

This matter is before the Tennessee Regulatory Authority (the "Authority") upon the filing of that certain Petition of Counce Natural Gas Company ("Counce") for a Rate Increase (the "Rate Petition") on May 21, 1998. By notice dated June 9, 1998, Dennis McNamee, as Pre-Hearing Officer, requested that the parties submit "a statement of issues in the case to the Pre-Hearing Officer not later than June 12, 1998, for inclusion in the Pre-Hearing Agenda [for the Pre-Hearing Conference scheduled for June 15, 1998 at 9:00 a.m.]. This settlement proposal is filed in response to the notice dated June 9, 1998.

After consideration of the matters contained in the Rate Petition, the Authority's Gas, Water & Electric Division (the "Authority's Staff") proposes that the Authority accept the following terms and conditions for granting Counce's request for a rate increase, as follows:

1. Counce's request for a revenue increase of Twenty Thousand Nine Hundred Thirteen and No/100 Dollars (\$20,913.00) annually is granted;
2. Counce's revenue increase produces a base rate of \$2 1304 per Mcf;
3. Counce's increase in revenue shall be applied to all customer classes and shall not be limited to residential and commercial classes as originally requested by Counce; and

Exhibit B

4. The settlement of Counce's request for a rate increase in this Docket No. 98-00308 does not alter the findings of the Authority's Staff in that certain Actual Cost Adjustment Audit of Counce in Docket No. 98-0022.

In support of its position herein, the Authority's Staff would respectfully state the following:

1. The rate increase requested by Counce does not exceed the rate increase determined by the Authority's Staff, through independent analysis, to be appropriate.
2. Administrative efficiencies would be best realized by foregoing a hearing in this matter, as the issues that would be material in a hearing can be resolved by this Settlement Proposal

CONCLUSION

For the foregoing reasons, the Authority's Staff respectfully requests that the Authority resolve this matter without the necessity for a hearing and issue an order granting Counce's petition for a rate increase, on the terms and conditions herein provided.

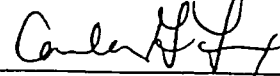
Respectfully Submitted,



Carla G. Fox, Esq.
Counsel for the TRA Staff

CERTIFICATE OF SERVICE

I, Carla Fox, hereby certify that I have this 12th day of June, 1998, caused to be served, by U S. mail, a true copy of the foregoing Settlement Proposal upon Counce's attorney, Henry Walker, Esq., Boulton, Cummings, et al, 414 Union Street, Suite 1600, Nashville, TN 37219.



Carla G. Fox, Esq.

SETTLEMENT AGREEMENT

This Settlement Agreement, dated as of June 26, 1998, is made and entered into between Counce Natural Gas Company, P O Box 736, West Point, MS 39773 (hereinafter "Counce"), and the Tennessee Regulatory Authority's Gas, Water & Electric Division (hereinafter the "Authority's Staff")

WITNESSETH

WHEREAS, on May 1, 1998, Counce filed a Petition For a Rate Increase in Docket No. 98-00308 (hereinafter the "Rate Petition"), requesting that the Tennessee Regulatory Authority permit Counce to increase its revenue in the amount of Twenty Thousand Nine Hundred Thirteen and No/100 Dollars (\$20,913 00) annually; and

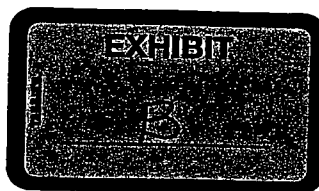
WHEREAS, Counce's revenue increase produces a base rate of \$2 1304 per Mcf, and

WHEREAS, Counce requested in its Rate Petition that its revenue increase be applied to residential and commercial classes only, and

WHEREAS, the Authority's Staff have considered the matters contained in Counce's Rate Petition and have determined that the requested rate increase does not exceed the amount determined by the Authority's Staff, through independent analysis, to be appropriate, and

WHEREAS, the Authority's Staff have further determined that Counce's revenue increase should be applied to all of Counce's customer classes and should not be limited to residential and commercial classes, as originally requested by Counce, and

WHEREAS, Counce and the Authority's Staff agree that administrative efficiencies would be realized by foregoing a hearing on the Rate Petition and that the issues that would be material in Counce's rate case can be resolved herein by agreement of the parties



NOW THEREFORE, in consideration of the premises, the parties hereto agree as follows

1. The Authority's Staff does not object to the Authority's grant of Counce's request for a rate increase in the amount of Twenty Thousand Nine Hundred Thirteen and No/100 Dollars (\$20,913 00) annually

2. Counce and the Authority's Staff hereby agree that the independent analysis of the Authority's Staff will support a finding that Counce's requested rate increase will result in just and reasonable rates for Counce's ratepayers.

3. Counce and the Authority's Staff hereby agree that Counce's revenue increase produces a base rate of \$2 1304 per Mcf.

4. Counce and the Authority's Staff hereby agree that Counce's revenue increase shall be applied to all of Counce's customer classes and shall not be limited to residential and commercial classes as originally requested by Counce

5. Counce and the Authority's Staff hereby agree that this Settlement Agreement fully resolves Counce's request for a rate increase pursuant to its Rate Petition.

6. Counce and the Authority's Staff hereby acknowledge that this Settlement Agreement is subject to the approval of the Tennessee Regulatory Authority and shall be governed by and construed in accordance with Tennessee laws

IN WITNESS WHEREOF, the parties hereto have executed this Settlement Agreement as of the date first above written

COUNCE NATURAL GAS COMPANY

By. [Signature]
Title. attly for Counce

TENNESSEE REGULATORY AUTHORITY'S GAS, WATER & ELECTRIC DIVISION

By. [Signature]
Title. FINANCIAL MANAGER

Counce Natural Gas Company
Original Cost Analysis of Plant in Service
Docket 04-00037

Attachment B

Original Cost of Plant in Service	\$304,665 A/
Less Accumulated Depreciation @ 9/30/97	<u>157,399 B/</u>
Net Plant in Service @ 9/30/97	\$147,266
Less Acquisition Adjustment	<u>87,945 C/</u>
Net Plant available for return @ 9/30/97	\$59,321

Depreciation & Amortization Expense for 1998	\$6,900 D/	
Depreciation & Amortization Expense for 1999	6,900 D/	
Depreciation & Amortization Expense for 2000	11,900 D/	
Depreciation & Amortization Expense for 2001	11,900 D/	
Depreciation & Amortization Expense for 2002	11,900 D/	
Depreciation & Amortization Expense for 2003	11,900 D/	
Depreciation & Amortization Expense for 2004	11,900 D/	
Depreciation & Amortization Expense for 2005	<u>11,900 D/</u>	
Total Depreciation Expense 1998 - 2005		\$85,200
Net Plant Available for Return @ September 30, 2005		<u><u>-\$25,879</u></u>

- A/ Order Approving Report and Recommendation of Hearing Officer and Settlement Agreement Docket 98-00308, dated March 2, 1999 Exhibit A, Schedule A, Page 2, Line 28 of Testimony of Company witness Stephen J Swetz titled Schedule A - Request for Gas Rate Increase
- B/ Order Approving Report and Recommendation of Hearing Officer and Settlement Agreement Docket 98-00308, dated March 2, 1999 Exhibit A, Schedule A, Page 2, Line 33 of Testimony of Company witness Stephen J Swetz titled Schedule A - Request for Gas Rate Increase
- C/ Order Approving Report and Recommendation of Hearing Officer and Settlement Agreement Docket 98-00308, dated March 2, 1999 Exhibit A, Schedule A, Page 2, Line 35 of Testimony of Company witness Stephen J Swetz titled Schedule A - Request for Gas Rate Increase
- D/ Order Approving Report and Recommendation of Hearing Officer and Settlement Agreement Docket 98-00308, dated March 2, 1999 Exhibit A, Schedule A, Page 2, Line 26 of Testimony of Company witness Stephen J. Swetz titled Schedule A - Request for Gas Rate Increase
Note that total annual depreciation and amortization expense of \$11,900 included \$5000 for the first two years to cover the estimated rate case cost of \$10,000.



FERC Uniform System of Accounts for Natural Gas Companies
Gas Plant Instructions

2. Gas plant to be recorded at cost.

A. All amounts included in the accounts for gas plant acquired as an operating unit or system, except as otherwise provided in the texts of the intangible plant accounts, **shall be stated at the cost incurred by the person who first devoted the property to utility service.** All other gas plant shall be included in the accounts at the cost incurred by the utility, except for property acquired by lease which qualifies as capital lease property under General Instruction 19. Criteria for Classifying Leases, and is recorded in Account 101.1, Property under Capital Leases. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph. (Emphasis added)

